

Hugh L. Carey Battery Park City Authority
Meeting of the Investment Committee
200 Liberty Street, 24th Floor
New York, New York 10281
July 27, 2022
12:30 p.m.

AGENDA

- I. CALL TO ORDER
- II. APPROVAL OF THE MAY 25, 2022 MINUTES
- III. NET ZERO INVESTMENT PLAN
- IV. INVESTMENT SUMMARY
- V. MOTION TO ADJOURN



Our Clients' Success is Essential to Ours
Integrity ♦ Experience ♦ Teamwork ♦ Performance

Battery Park City Authority

Net-Zero Investment Strategy

July 2022

pfmam.com

PFM Asset Management LLC

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Introduction

- ▶ New York State has recently mandated that State Authorities deliver an action plan to achieve a 2040 net-zero carbon neutrality within investment portfolios.
- ▶ Battery Park City Authority (“BPCA”) has been proactive in environmental, social, and governance (“ESG”) considerations and currently prohibits investment in companies that are heavily reliant on fossil fuels.
- ▶ PFM Asset Management LLC (“PFMAM”) and Ramirez Asset Management, Inc (“RAM”) have prepared a draft action plan for BPCA and the Investment Committee's review that consists of:
 1. An overview and description of the BPCA investment portfolio
 2. Short- and long-term milestones, as well as available metrics and targets to evaluate progress toward carbon neutrality
 3. Framework or tools to evaluate portfolio investments and inform strategy
 4. Approach to engagement and advocacy with our portfolio entities, if any, to encourage emissions reduction and good governance.
 5. Strategies for evolving BPCA’s portfolio construction
 6. The current or future committees, teams, or individuals at BPCA who will be responsible for oversight of the plan

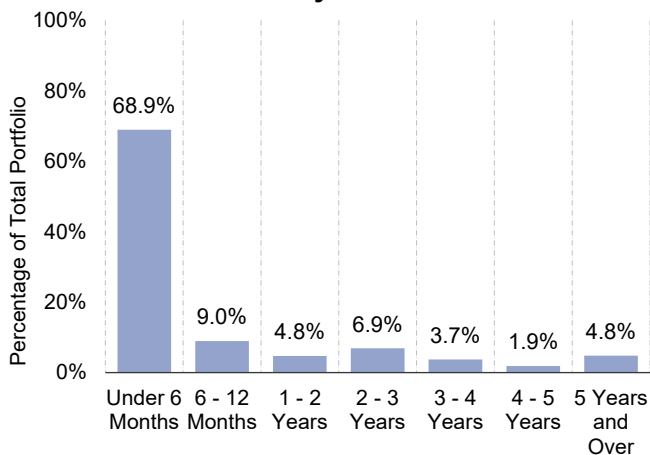
Strategy Overview

- ▶ The aggregate portfolio includes operating accounts, capital reserves, special purpose, bond proceed, and OPEB portfolios
- ▶ BPCA investments are subject to guidelines established by the State Comptroller's Office and are pursuant to Section 98 of NYS Finance Law
- ▶ BPCA investments are restricted to a limited investment universe given the parameters defined in state code.
- ▶ Portfolios maintain the highest credit quality with U.S. Treasuries accounting for 93% of the aggregate portfolio as of June 30, 2022
- ▶ More than 75% of investments mature in less than 1 year

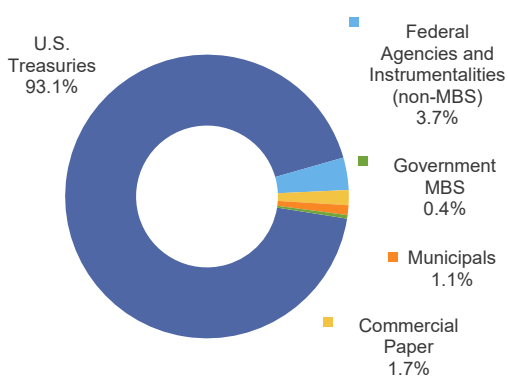
Portfolio Statistics

Portfolio Market Value	\$456,646,921
Average Duration	0.96 Years

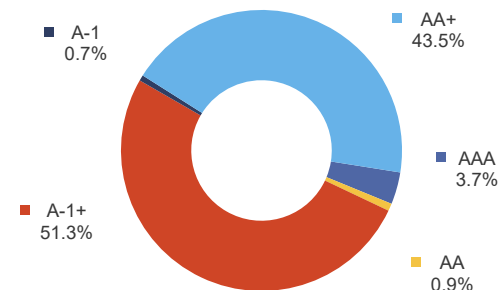
Maturity Distribution



Sector Allocation



Credit Quality Distribution (S&P)



Notes:

1. Portfolio data as of June 30, 2022.
2. Government MBS includes Freddie Mac, Fannie Mae, Ginnie Mae, and Small Business Administration MBS.
3. NR holdings are not rated by S&P but rated by Moody's and are in compliance with BPCA's Investment Policy.

- ▶ BPCA seeks to achieve the Investment Objectives contained within its Investment Guidelines – legality, safety, liquidity, and return – while investing with the principles of environmental, social and governance.

- ▶ **Short-Term Milestones & Targets (Next 6-12 months)**
 - ▶ Identify current investment allocation to sustainable investments and establish an Authority baseline
 - ▶ Prioritize allocation to approved corporate issuers that have made net-zero carbon pledges
 - ▶ For the Municipal sector, identify issuers that finance green, sustainable, and/or environmental projects
 - ▶ Continue allocation to Supranational investments. Identify designated green and sustainable bonds issued by Supranational issuers

- ▶ **Establish Intermediate-Term Milestones & Targets (Next 12-60 Months)**
 - ▶ Measure and evaluate approved issuer net-zero performance based on:
 - Total carbon emissions
 - Carbon emissions intensity
 - Progress toward limiting impact on increasing temperatures in accordance with Paris Agreement
 - Newly available data and issuer reporting standards
 - ▶ Measure portfolio performance quarterly relative to initial baseline

- ▶ **Long-Term Milestones & Targets (Next 60 Months+)**
 - ▶ Continue to monitor issuer and portfolio level progress toward the Authority's net-zero objective by measuring approved issuer emissions, emissions intensity, and impact on temperature rise
 - ▶ Set total carbon emissions, carbon intensity, and/or other targets for approved issuers
 - ▶ Set actual dates for milestones and target goals
 - ▶ Expand monitoring of other fixed-income sectors (U.S. Treasuries, Supranationals, Federal Agencies and Municipals) as carbon data becomes available

- ▶ PFMAM and RAM have identified a representative list of 38 credit issuers that meet investment policy and net-zero initiative standards.
- ▶ These standards consist of:
 1. Obligations of any issuers organized under the laws of any state in the United States (current IPS)
 2. Highest rating of two independent Nationally Recognized Statistical Rating Organizations (current IPS)
 3. Public declaration of commitments to the net-zero initiatives
- ▶ Some of these issuers are not highly-active, and may not fulfill investment characteristics compatible to specific BPCA portfolios
- ▶ PFMAM and RAM have also identified municipal and supranational issuers who meet investment policy standards and may be compatible with the net-zero mandate.

- ▶ Although industry data is not uniform, there are several potential frameworks for evaluating portfolio carbon exposures:

Total Carbon Emissions (tCO₂ emissions)

- ▶ Includes Scope 1, 2, & 3 Greenhouse gasses
- ▶ Measures all emissions owned or controlled by the company, as well as emissions that are a consequence of the company's activities

Carbon Intensity (emissions/\$MM revenue)

- ▶ Analyzes the company's total emissions relative to company revenue

Current Temperature Alignment

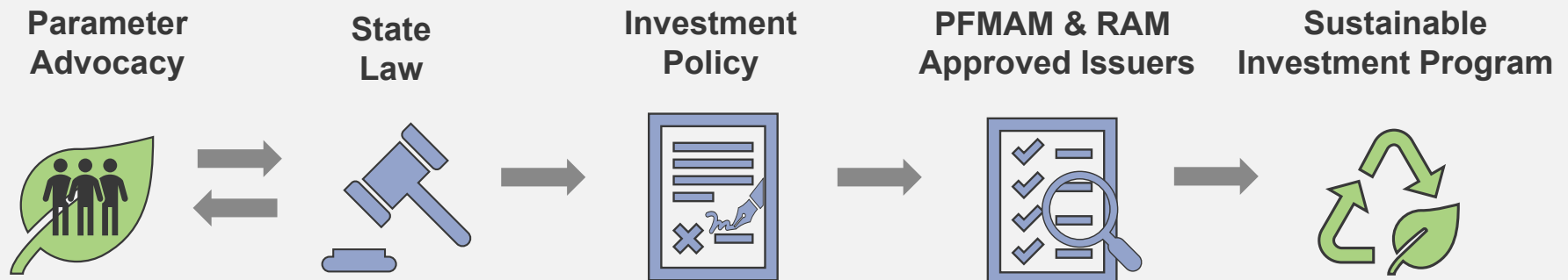
- ▶ Summarizes the scenario alignment of global temperature increase based on the company's emissions

Alignment Gap 2C (tCO₂ emissions)

- ▶ Measures the total amount of greenhouse gases (in tons of carbon emissions) over/under the company is projected to be from meeting the goals of the Paris Agreement

- ▶ Carbon emissions data and temperature alignment performance will be provided by third-party resources.
 - ▶ Data collected by third-party resources will be based on company disclosures and estimates, as needed.
 - ▶ Paris temperature alignment performance will be based on proprietary models developed and updated by third-party resources.
- ▶ Company level emissions may be disclosed in accordance with GHG protocol standards, the TCFD framework, and/or the CDP or other climate related reporting frameworks/standards.
- ▶ The adoption of the SEC's recently proposed rules with respect to climate related disclosures would likely enhance reporting of company level emissions data and may result in uniformity in reporting over time.

- ▶ Since the requirement spans all NYS Authorities, we recommend that BPCA collaborate with other Authorities in addressing the State's net-zero initiative.
- ▶ Authorities can use this opportunity to work together to advocate for approval of issuers with strong ESG ratings. This could expand the State-law mandated investable universe by including issuers that meet net-zero objectives and ESG principles.
- ▶ Ongoing collaboration of Authorities can increase strength of advocacy and investment approach, thus having greater impact on issuers.



Next 6-12 months

Begin to align portfolio holdings with companies and entities that have stated their dedication to net-zero and other environmental initiatives. Participate in joint Authority sessions for shared best-practices and advocacy with issuers.

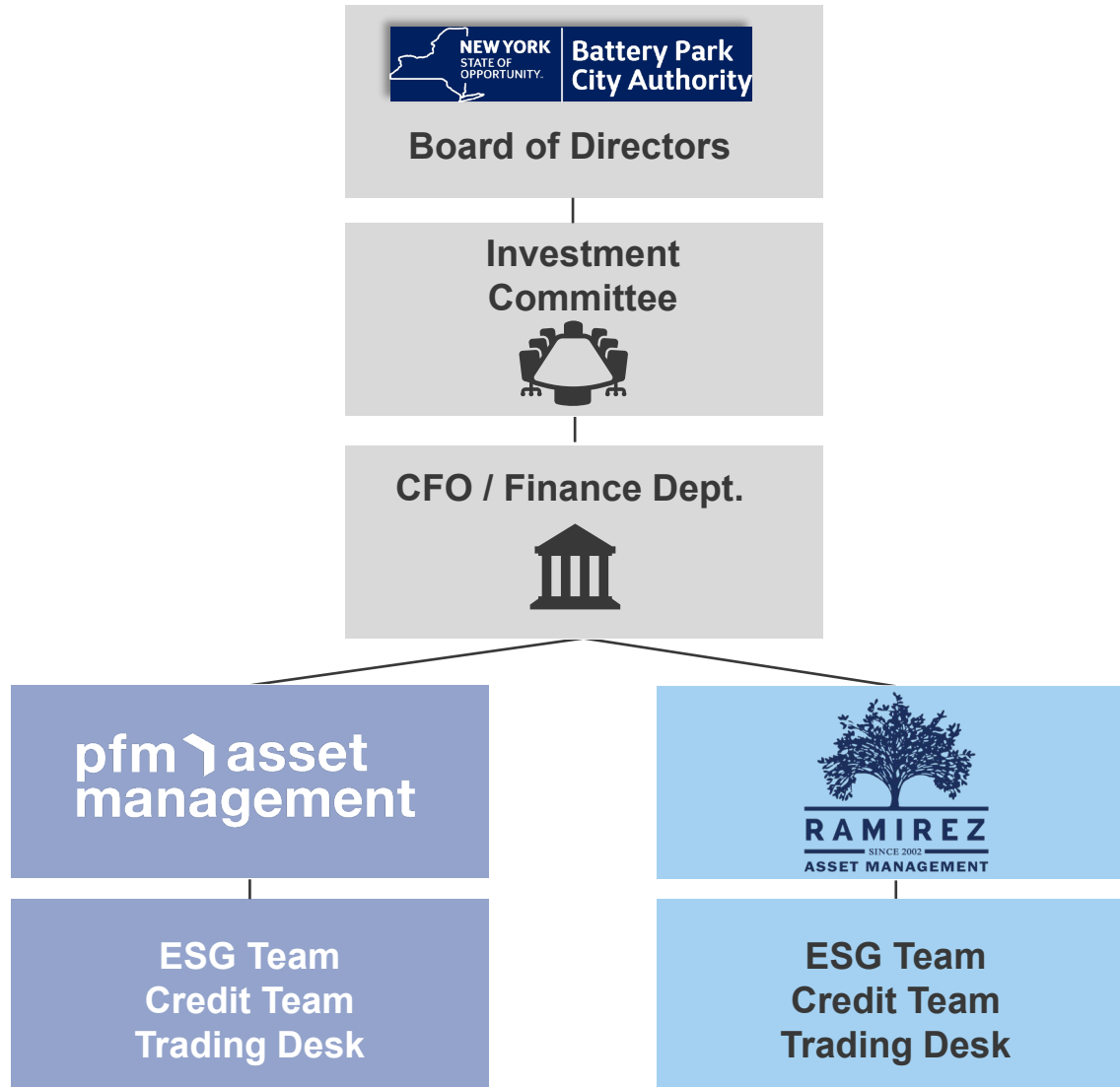
Next 12-60 months

Measure progress of held and approved issuers through analyses of carbon-related metrics. Establish additional tangible objectives as issuer emission reporting increases and standards become more uniform.

Next 60+ months

Monitor portfolio-level progress toward the net-zero objective and review new thresholds and targets for new purchases. Incorporate new carbon-related data as new metrics become available.





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There is no guarantee the investment objectives will be achieved as the investment portfolio will only include holdings consistent with the applicable Environmental, Social, and Governance (ESG) guidelines. As a result, the universe of investments available will be more limited. ESG criteria risk is the risk that because the investment portfolio ESG criteria excludes securities of certain issuers for nonfinancial reasons, the investment portfolio may forgo some market opportunities that would be available to investment portfolios that do not apply ESG criteria.

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The information contained herein reflects prevailing conditions and our views as of this date, which are accordingly subject to change without prior notice. In preparing this material, we have relied upon the accuracy and completeness of information available from various sources considered reliable, but Ramirez Asset Management, Inc. has not independently verified this information and does not represent that this material is accurate, current, or complete and it should not be relied upon as such. In addition, any appraisals contained herein should be considered preliminary, suitable only for the purpose described herein and should not be disclosed or otherwise used without the prior written consent of Ramirez Asset Management, Inc.

Past performance is no guarantee of future returns.

Past returns are no promise or guarantee of future performance. The value of investments and returns are subject to change. No data which reflects past performance is an indication of future returns. Investments in fixed income securities involve certain risks, which are fully described in the firm's Form ADV Part 2 filing. All investors must receive a copy of the firm's Disclosure Document, Form ADV Part 2, prior to their initial investment with the firm and receive a copy of the firm's Annual Amendment each year thereafter. Please review carefully.





Hugh L. Carey Battery Park City Authority

Interim Portfolio Update

Month Ended June 30, 2022 | pfmam.com | 609.452.0263

PFM Asset Management LLC

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I. Market Update



Current Market Themes



- ▶ The U.S. economy is characterized by:
 - ▶ High inflation
 - ▶ A strong labor market
 - ▶ Depressed consumer confidence
 - ▶ Growing potential for economic recession



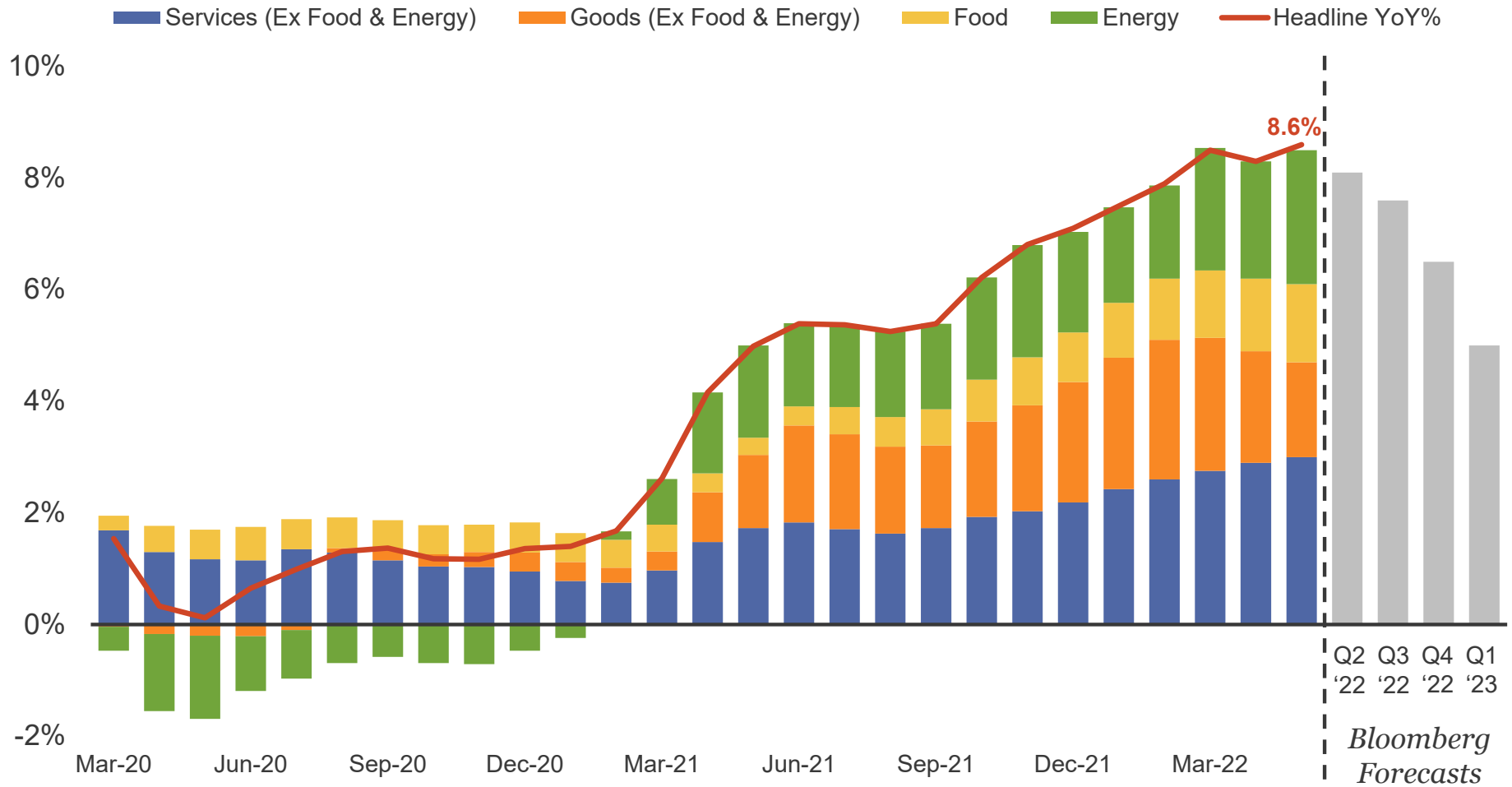
- ▶ The Federal Reserve is tightening monetary policy
 - ▶ More aggressive rate hikes to battle persistent inflation
 - ▶ Short-term fed funds rate projected to reach 3.25% to 3.75% by year-end
 - ▶ Start of balance sheet reduction; pace to double beginning in September



- ▶ Asset prices have fallen sharply in 2022 as a result of:
 - ▶ The impact of higher rates on bond prices and equity valuations
 - ▶ Wider credit spreads
 - ▶ High commodity prices, rising labor costs, and the continuing conflict in Ukraine
 - ▶ High levels of volatility and uncertainty

U.S. Inflation Hit a New Four-Decade High in May

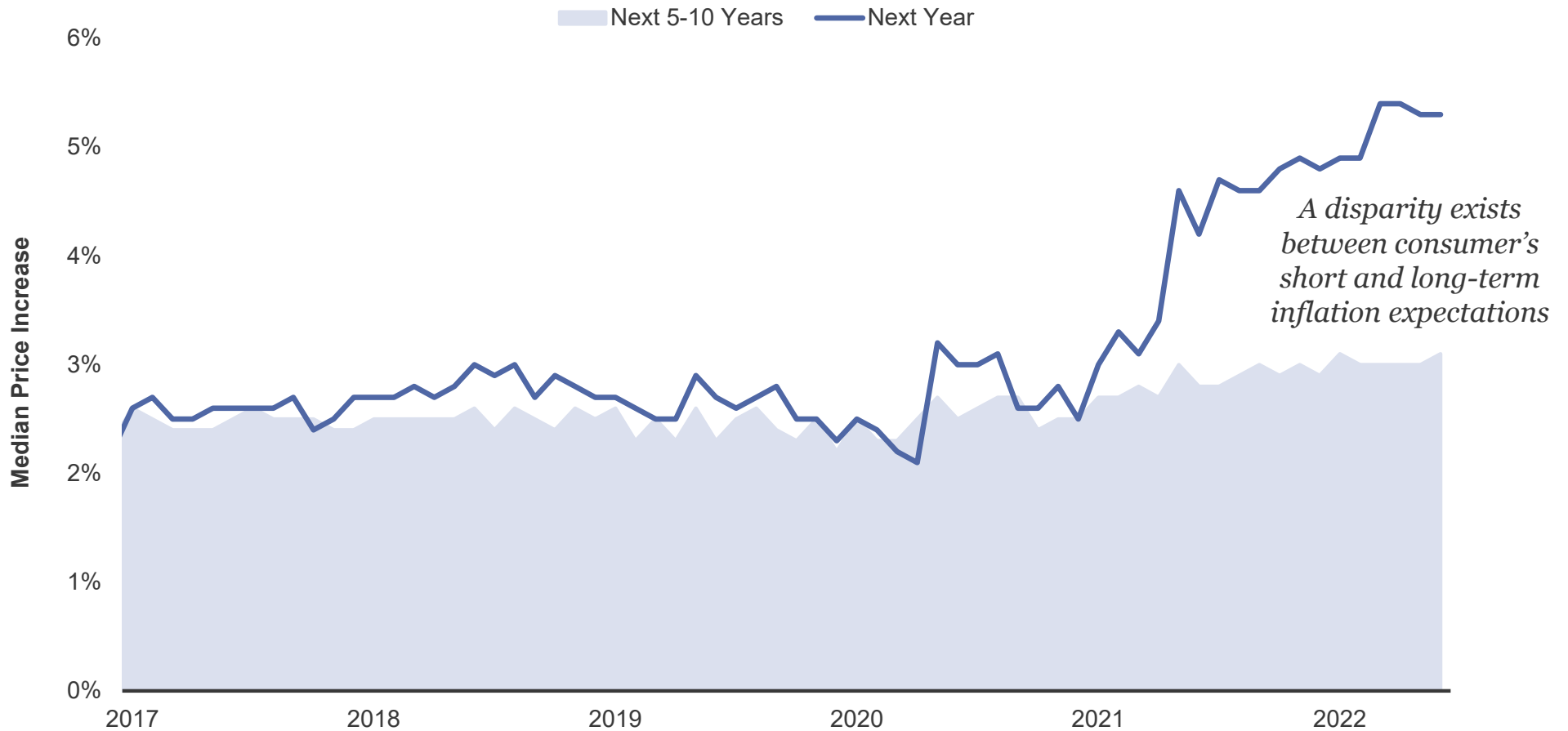
Consumer Prices (CPI) Top-Line Contributions and Year-over-Year Reading



Source: Bloomberg, as of May 2022.

Consumers Expect High Inflation in the Near Term, But Moderation Longer Term

University of Michigan Survey of Consumers
Expected Change in Prices

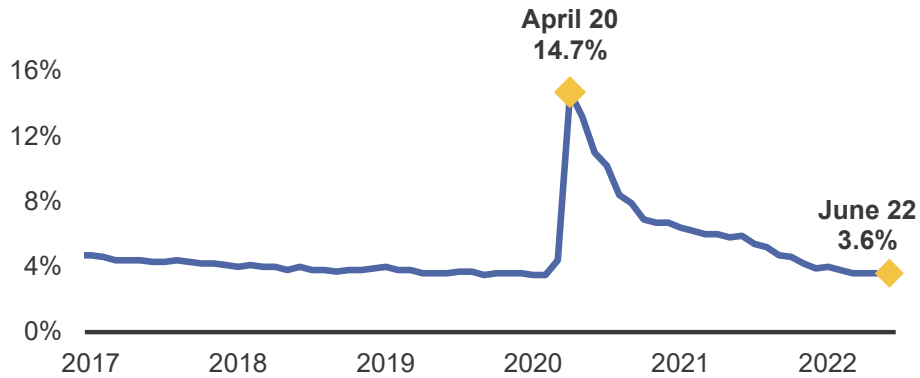


Source: Bloomberg, as of June 2022.

Strong Labor Market and Spending Provide Momentum Against Signs of Economic Slowing

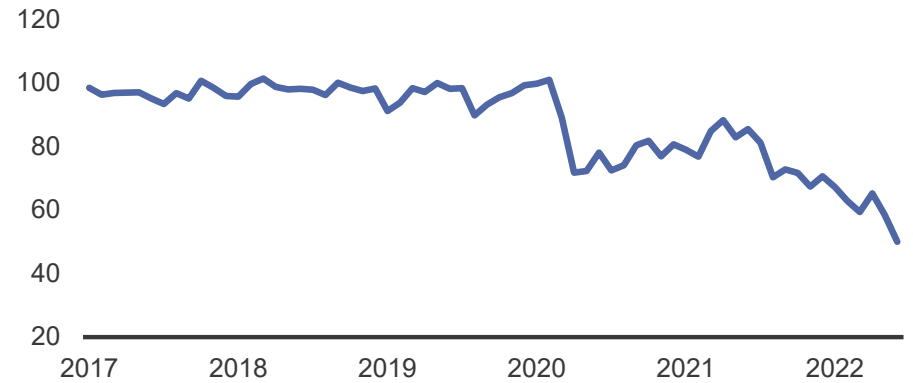
Tailwinds

U.S. Unemployment Rate

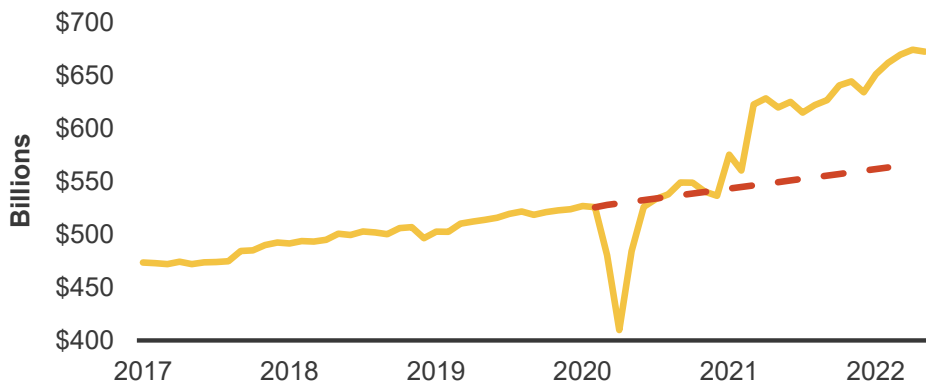


Headwinds

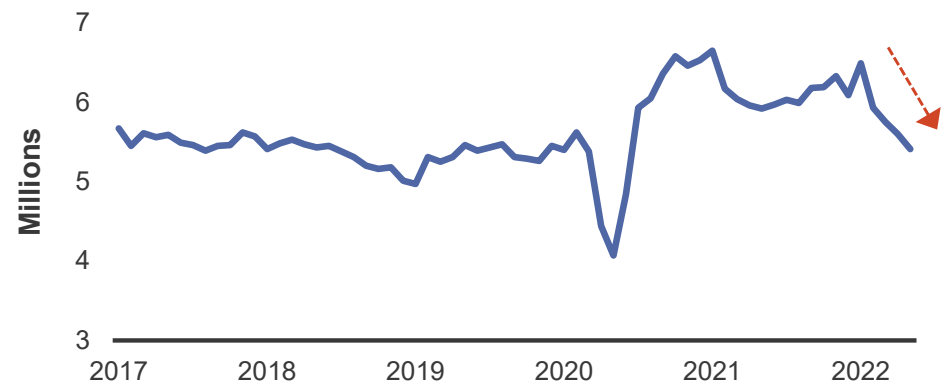
Index of Consumer Sentiment



Retail Sales (Monthly)



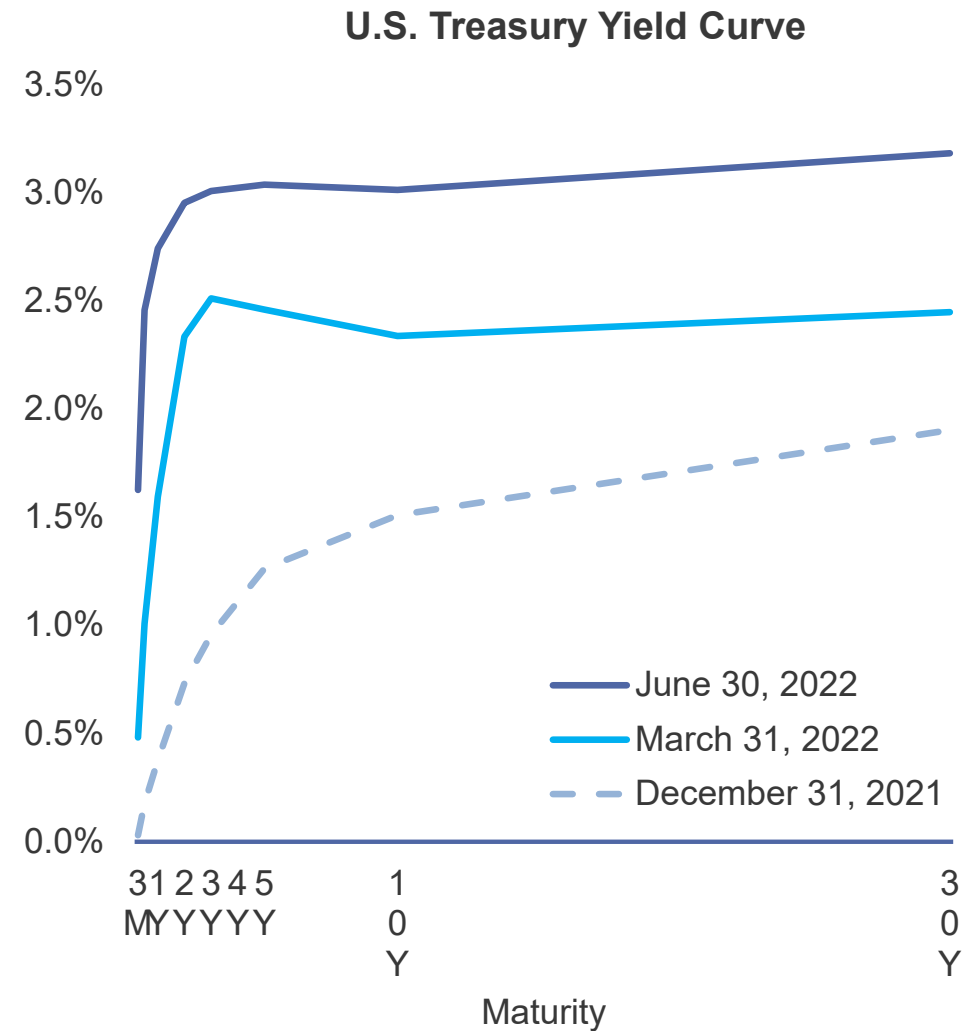
Existing Home Sales



Source: Bloomberg, as of June 2022.

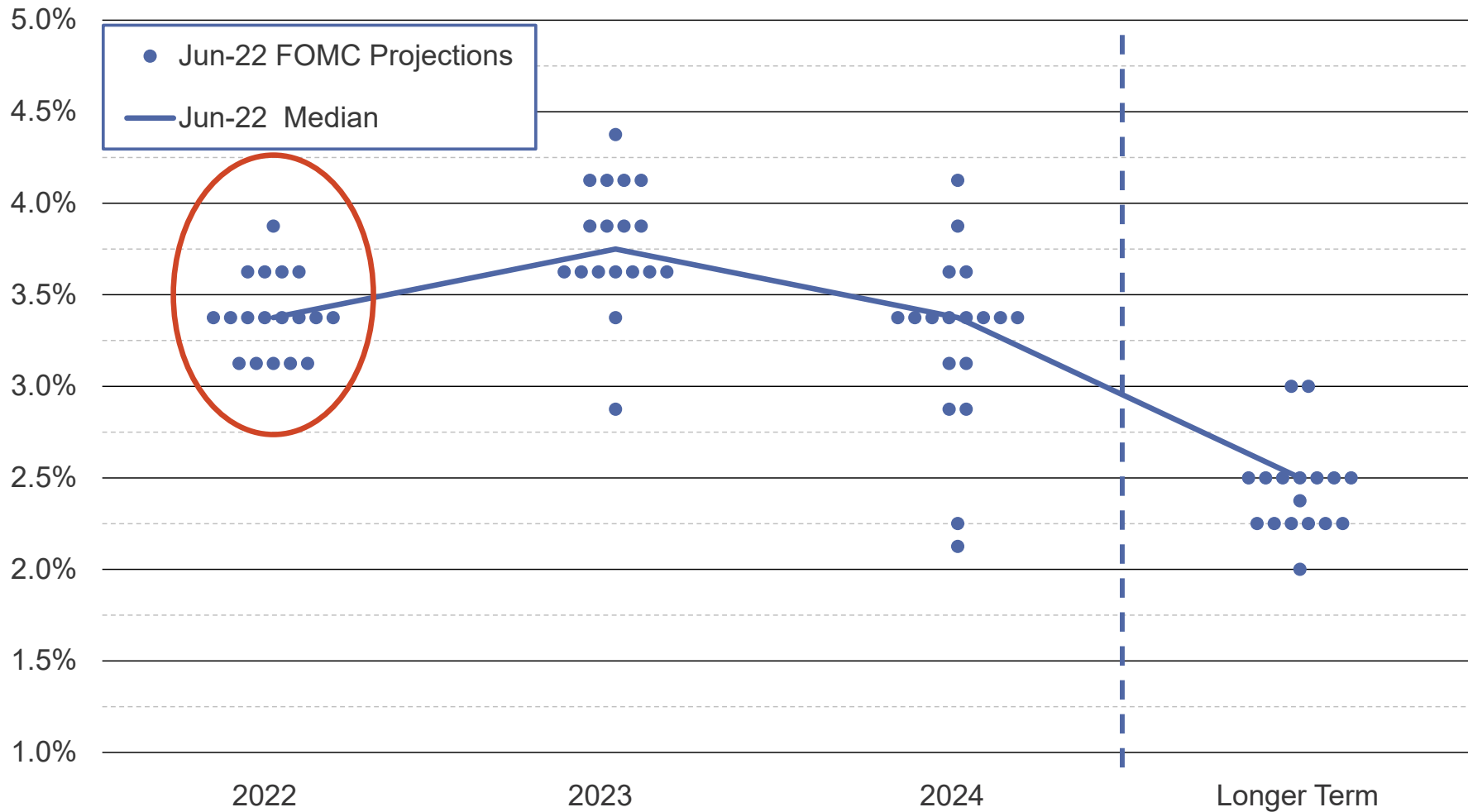
Treasury Yields Move Higher Across the Curve; Curve Remains Flat Beyond 2-Years

	2Q2022 06/30/22	1Q2022 03/31/22	QoQ Change
3-month	1.63%	0.48%	+1.15%
1-year	2.74%	1.60%	+1.14%
2-year	2.95%	2.33%	+0.62%
3-year	3.01%	2.51%	+0.50%
5-year	3.04%	2.46%	+0.58%
10-year	3.01%	2.34%	+0.67%
30-year	3.18%	2.45%	+0.73%



Federal Reserve Officials Project 1.75% More in Rate Hikes in 2022

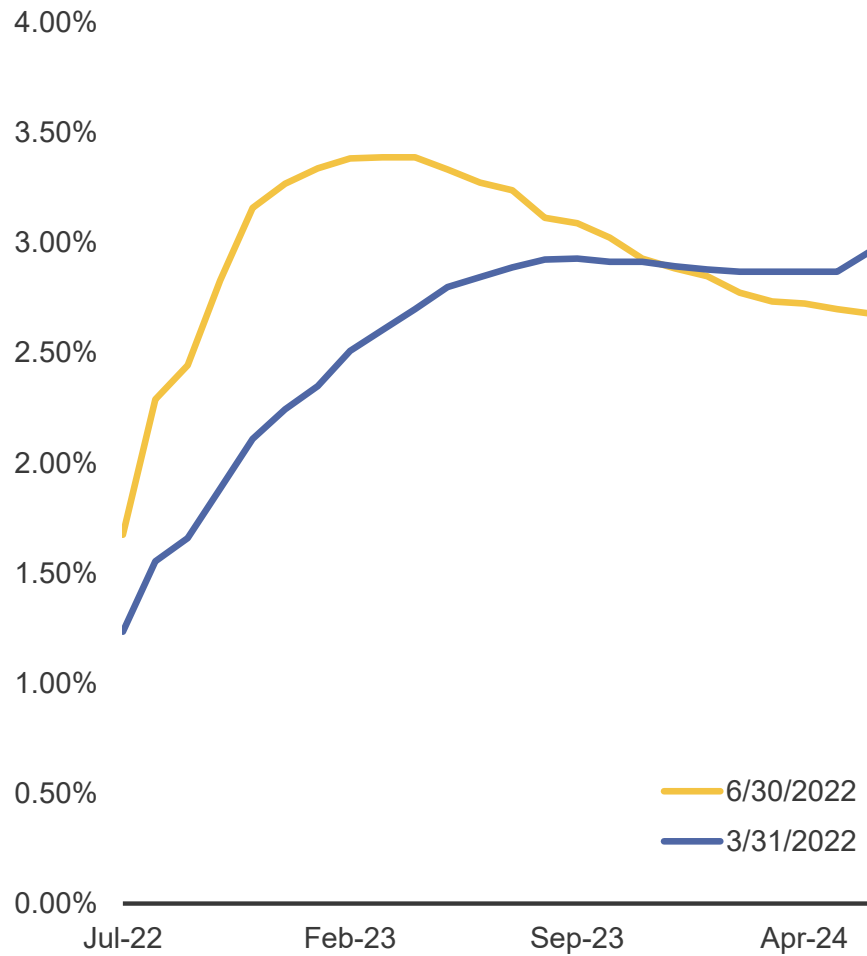
Fed Participants' Assessments of 'Appropriate' Monetary Policy



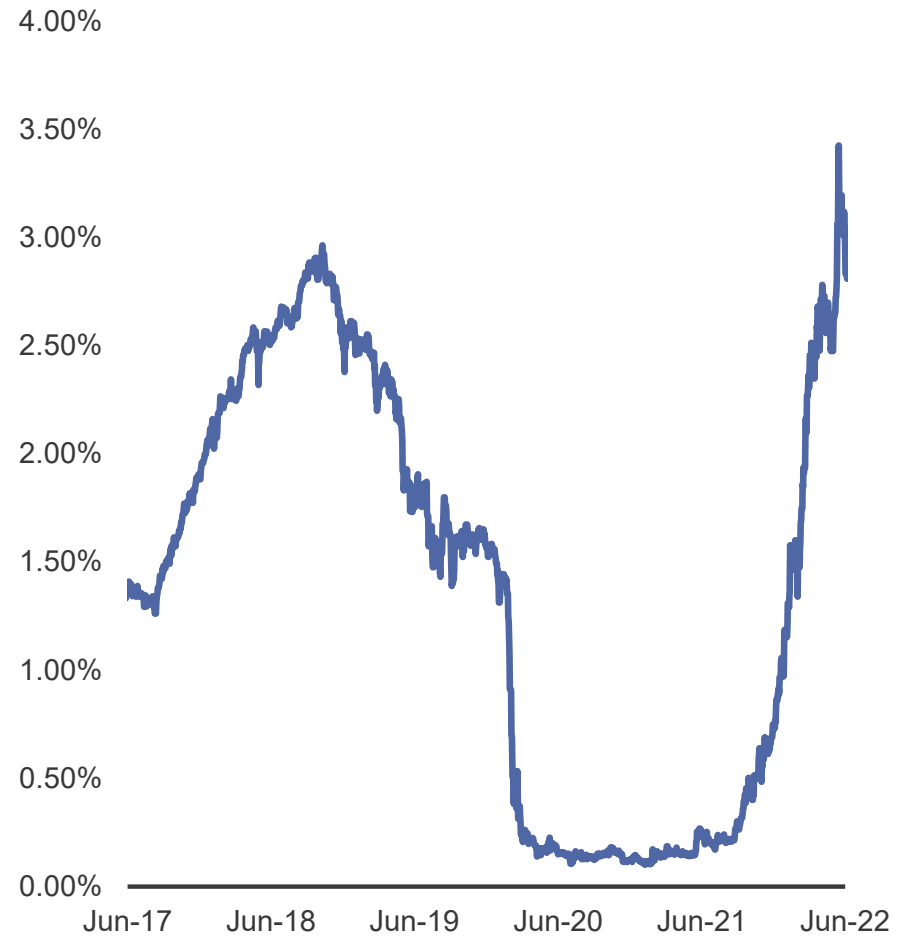
Source: Federal Reserve and Bloomberg. Individual dots represent each Fed members' judgement of the midpoint of the appropriate target range for the federal funds rate at each year-end.

Market Reaction to the Fed

Fed Funds Futures Curve (Rate)



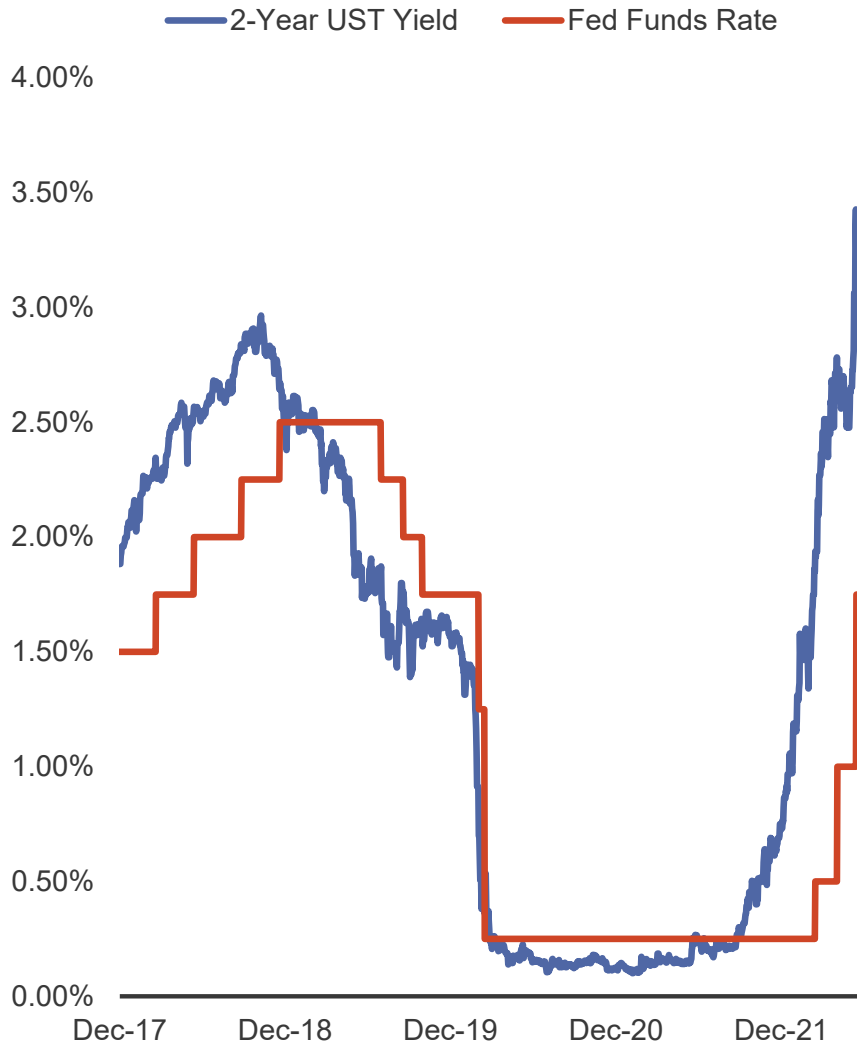
2-Year Treasury Yield



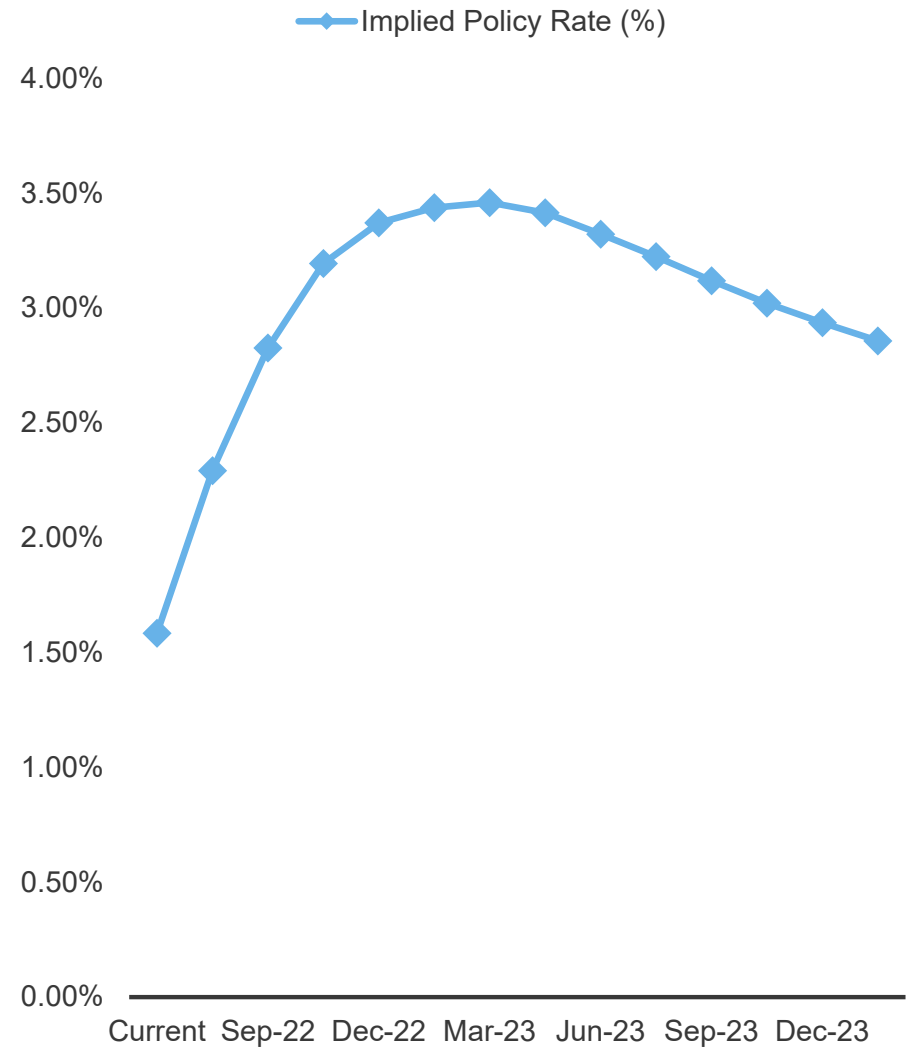
Source: Bloomberg, as of 6/30/2022

Market Expectation for Aggressive Rate Hikes

Fed Funds Rate vs. 2-Year Treasury



Implied Fed Funds Rate

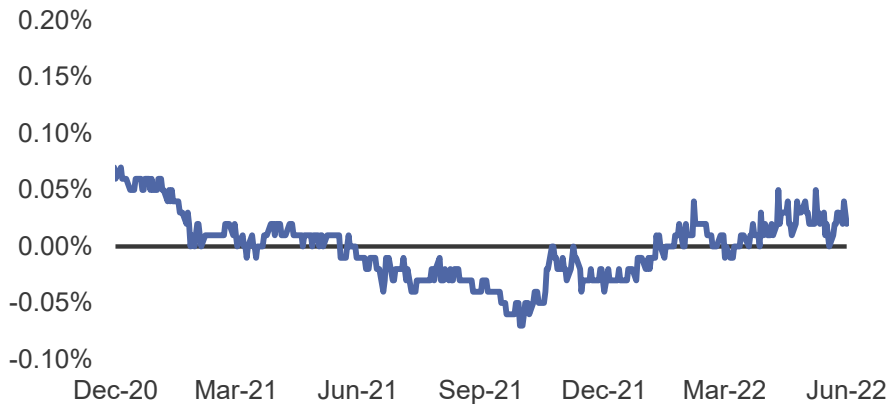


Source: Bloomberg, as of 6/30/2022

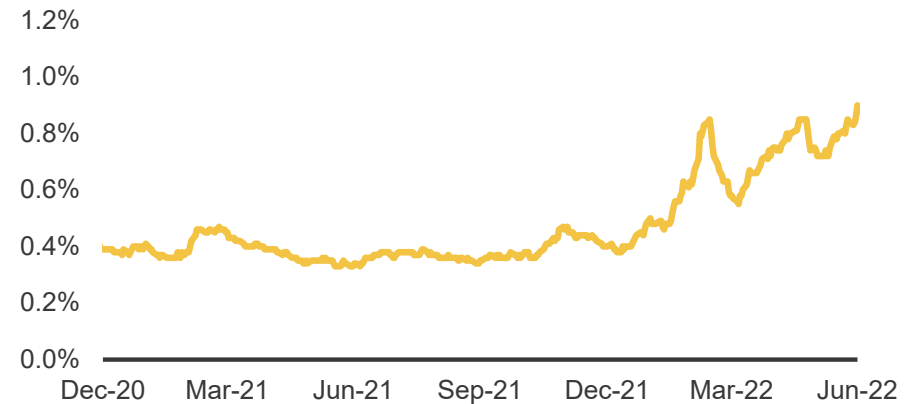
Sector Yield Spreads Widened in Q2 2022

1-5 Year Indices

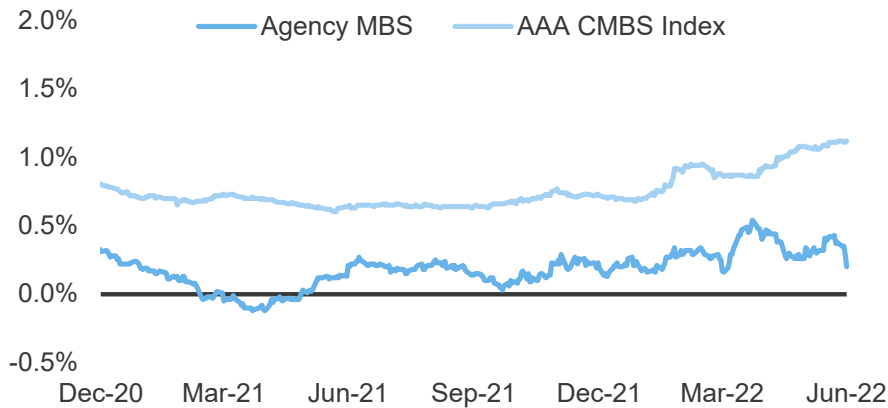
Federal Agency Yield Spreads



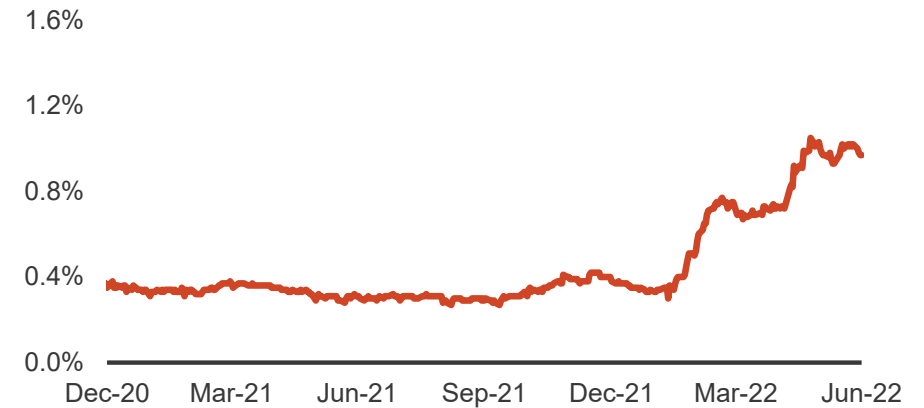
Corporate Notes A-AAA Yield Spreads



Mortgage-Backed Securities Yield Spreads



Asset-Backed Securities AAA Yield Spreads



Source: ICE BofA 1-5 year Indices via Bloomberg, MarketAxess and PFMAM as of 6/30/2022. Spreads on ABS and MBS are option-adjusted spreads of 0-5 year indices based on weighted average life; spreads on agencies are relative to comparable maturity Treasuries. CMBS is Commercial Mortgage-Backed Securities.

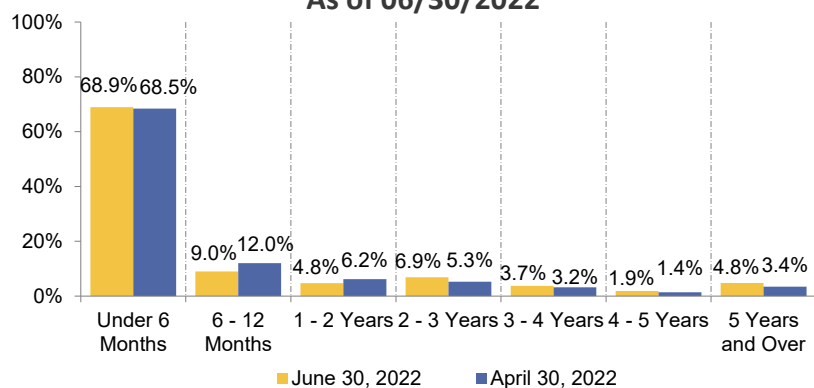
II. Portfolio Review



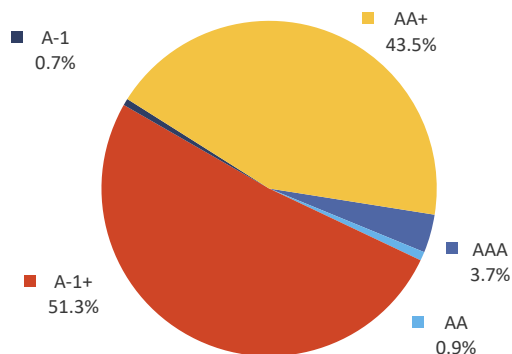
Aggregate Portfolio Composition and Credit Quality

Security Type ¹	June 30, 2022	% of Portfolio	Effective Duration	April 30, 2022	% of Portfolio	Effective Duration	QoQ Change (% of portfolio)
U.S. Treasuries	\$425,030,038	93.1%	0.88	\$560,362,324	95.0%	0.67	(1.9%)
Federal Agencies and Instrumentalities (non-MBS)	\$16,867,414	3.7%	2.38	\$16,873,934	2.9%	2.55	0.8%
Commercial Paper	\$7,842,688	1.7%	0.38	\$5,492,584	0.9%	0.31	0.8%
Municipals	\$5,085,010	1.1%	2.81	\$5,337,000	0.9%	1.99	0.2%
Government MBS ²	\$1,821,771	0.4%	3.03	\$2,000,919	0.3%	3.05	0.1%
Totals	\$456,646,921	100.0%	0.96	\$590,066,762	100.0%	0.74	

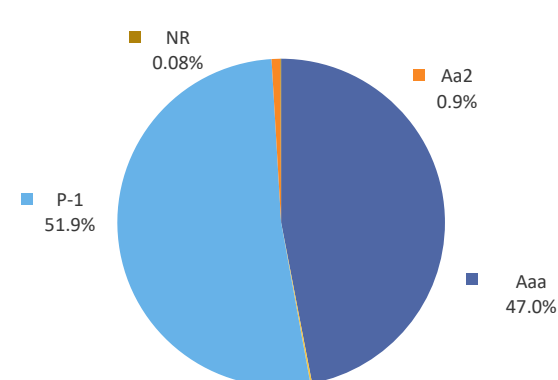
Maturity Distribution
As of 06/30/2022



Credit Quality Distribution (S&P)
as of 06/30/2022



Credit Quality Distribution (Moody's)
as of 06/30/2022



Notes:

- End of month trade-date market values of portfolio holdings, including accrued interest.
- Government MBS includes Freddie Mac, Fannie Mae, Ginnie Mae, and Small Business Administration MBS.
- NR holdings are not rated by S&P but rated by Moody's and are in compliance with BPCA's Investment Policy.

Investment Policy Issuer Guidelines

Investment Policy Issuer Guidelines					
Issuer	Actual (%)	Actual ⁴ (\$)	IPS Limit ²	S&P Rating	Moody's Rating
U.S. Treasury	93.08%	425,030,038	100%	AA+	Aaa
International Bank of Recon and Development	1.43%	6,525,927	\$250,000,000	AAA	AAA
International American Development Bank	1.01%	4,618,783	\$250,000,000	AAA	Aaa
New York City	0.85%	3,886,860	10%	AA	Aa2
Asian Development Bank	0.74%	3,368,059	\$250,000,000	AAA	Aaa
MetLife Funding Inc	0.70%	3,216,055	5%	A-1+	P-1
JP Morgan	0.54%	2,471,157	5%	A-1	P-1
African Development Bank	0.52%	2,354,645	\$250,000,000	AAA	Aaa
Pacific Life	0.36%	1,633,645	5%	A-1+	P-1
New York State	0.18%	815,050	10%	AA+	Aa1
Small Business Administration	0.17%	779,657	100%	AA+	Aaa
Ginnie Mae	0.13%	614,877	100%	AA+	Aaa
Collat Comm Paper V Co	0.11%	521,832	5%	A-1	P-1
NY State Dorm Authority	0.08%	383,100	10%	AA+	NR
Fannie Mae	0.07%	303,516	\$250,000,000	AA+	Aaa
Freddie Mac	0.03%	123,721	\$250,000,000	AA+	Aaa

Notes:

1. For informational/analytical purposes only and is not provided for compliance assurance. Subject to interpretation as derived from our interpretation of your Investment Policy as provided
2. BPCA's investment guidelines do not detail sector limits for commercial paper, supranationals, or Government MBS.
3. Commercial paper issuer limits are subject to the lesser of 5% or \$250 million per issuer.
4. Actual (\$) include market value plus accrued interest.
5. Bolded Issuers are new additions to the portfolio.

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